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Sectoral policy questions: business and development**Business and development****Report of the Secretary-General***Summary*

The present report is submitted in pursuance of General Assembly resolution 52/209 of 18 December 1997. The private sector can play a very important role in fostering economic growth and development. The United Nations system is actively involved in facilitating an active and constructive involvement of the private sector in the development process through a twofold approach.

On one hand it performs the essential role of developing a supportive international "soft infrastructure" for the orderly interaction of business. It also assists member countries, particularly developing countries and countries in economic transition, through a myriad of initiatives to create an enabling environment for private sector development. These activities range from the creation of supportive legal and fiscal frameworks; the development of privatization policies and processes; the liberalization of financial flows; the regulation of capital markets; the adoption of competition policies and laws; deregulation or simplification of regulations and processes applicable to business; and the development of entrepreneurship.

On the other hand, the United Nations system is active in facilitating the participation of the private sector in the pursuance of the goals of the global conferences; in embracing universal principles and norms, including those relating to environment, human rights and gender, and in fostering the involvement of the private sector in promoting economic growth, fighting poverty and rebuilding nations after conflict or crisis.



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I. Introduction

1. The present report is submitted in response to General Assembly resolution 52/209 of 18 December 1997, in which the Assembly requested the Secretary-General, *inter alia*, to prepare a report, in cooperation with the relevant United Nations bodies, for the fifty-fourth session of the General Assembly, on "Business and development". It provides information on the activities of the United Nations in the promotion of the enabling environment for the business sector as well as on the increasing efforts for a partnership with business to realize the norms and goals established in the various United Nations conferences of the 1990s.
2. Over the years the United Nations system has helped to establish a certain roadmap, without which economic transactions between nations would be chaotic.¹ Through the range of its activities from data collection to the establishment of conventions and treaties, the United Nations has contributed to the promotion of order through rule-based activity. Many of these processes are well established and the credit that is due to the United Nations system, is sometimes forgotten. In this search for order in international transactions the work of the Organization has been guided by the Charter of the United Nations, incorporating a promotional and a value dimension. The invisible support structure has helped firms and businesses in all countries, *inter alia*, by facilitating transport and communications, sharing information, establishing rights and determining compensation.
3. In the 1990s the relationship between business and the United Nations became more intense as business took the stage as a major actor and partner at United Nations conferences. The involvement of business and interest groups in the conference process, in particular the multilateral environmental agreements, had several aspects, including a major effort by some groups to protect business interests. The involvement has also led to greater awareness of environmental and social issues, which is demonstrated today in many of the corporate policy statements issued by firms, reflecting the concerns and promoting the goals adopted at these conferences. Business has to be a partner in development. This is part of the global compact proposed at the World Economic Forum at Davos, Switzerland, in January 1999.
4. The diverse nature of the relationship between business and development was recognized in resolution 52/209. While recognizing the role of the private sector, the resolution put national specificities into perspective, as well as underscoring the roles of a supportive international

economic environment, public sector and informal sector involvement, microcredit, small and medium-sized enterprises and cooperatives for development. United Nations activities in this area have been diverse and vary from country to country.

II. Promoting an enabling environment for private sector development

5. Among the most frequent issues in discussions on creating an enabling environment for private investment and business are the following: the unpredictability of national policies; the absence of transparency and accountability in government; the lack of a supportive policy framework and marketable property rights; as well as corruption, bribery and fraud. For example, the presence of a properly functioning national system of administration of justice is a central element of a country's business climate and a fundamental issue for enterprises. In many cases, while laws are generally considered as adequate, proper enforcement is difficult (shortage of competent judges, inadequate support structure, etc.). To help in overcoming these barriers to business transactions, several programmes dealing with related issues and other reform and regulatory measures to promote the development of the private sector, for example, the Programme for Accountability and Transparency of the United Nations Development Programme (UNDP), have been undertaken by United Nations entities, including by the Division for Public Economics and Public Administration of the Department of Economic and Social Affairs and the Management Development and Governance Division of UNDP.
6. The United Nations Conference on Trade and Development (UNCTAD) has continued to implement, in the context of its Policy Framework for Attracting Foreign Investment programme, a series of activities related to providing assistance to Governments in the development of an improved legal and fiscal framework for investment. UNCTAD also carries out investment policy reviews, which include an examination of the country's objectives and competitive position in attracting foreign direct investment; an audit of the country's foreign direct investment policy framework and administrative structures and procedures; a survey of firms to obtain investor's perceptions and experiences; a round-table meeting of stakeholders to discuss preliminary findings, policy options and recommendations; and a presentation at appropriate intergovernmental and international forums.

7. Understanding the complexities and deriving an optimal mix of policy for achieving the overall objective of a fiscal environment for private sector development requires adherence to certain principles of taxation, such as non-discrimination, non-retroactive effect, adherence to legal provisions, and independent appeal. These principles are also the basis for an enabling environment for private sector development. The Department of Economic and Social Affairs has been very active in advising Governments on fiscal and monetary policies and instruments aimed at encouraging and facilitating private sector development. Tax parameters influencing the decisions of an investor, as well as the structure of his enterprise, are numerous: tax rates, deductible expenses, carry-back and carry-forward of losses, depreciation rates and tax benefits, tax breaks and holidays, as well as bilateral tax arrangements. The complexity of such tax systems make their transparency, unambiguity, predictability, coherence and fairness a necessity for investors.

8. Globalization, liberalization and integration generate certain constraints with regard to tariff levels, forcing countries to adjust gradually to lower customs revenues. Therefore, the importance of foreign trade taxes to government financing is reduced. Subsequently, there has been a shift in the basis of taxation away from tariffs and towards domestic taxes. Developing countries, however, have to deal with issues which are increasingly difficult, such as tax policy and administration, tax evasion and tax avoidance. Widespread efforts are needed to streamline administrative rules and procedures and to incorporate modern information technologies into the processing and auditing of tax returns, tax collection and refund procedures in an effort to reduce collection costs and improve the productivity of revenue services. In this connection, the Department of Economic and Social Affairs provides policy advice and technical support to strengthen national capacity in tax policy, tax administration and international cooperation, both through its regular programme and through the Ad Hoc Group of Experts on International Cooperation in Tax Matters.

9. Privatization calls for expertise at the level of general strategic options, as well as at the technical level of selecting, *inter alia*, the method for privatizing transfer of ownership or shares, selling of assets, privatization of management or some of its functions and all kind of measures for removing State control. These operations generally raise complex policy and legal issues such as the issue of transforming a public monopoly into a private one. This is evidenced by the findings of several studies and reports, including a study on public sector management

reform in Asia and the Pacific undertaken by the Department of Economic and Social Affairs in 1998. The authors of the study analysed the changing roles and relationships of the private and public sectors in seven countries of the region. The Department of Economic and Social Affairs has also published two sets of workshop papers on privatization: "Privatization of public sector activities, with a special focus on telecommunications, energy, health and community services" and "Privatization in Latin America".

10. The liberalization of financial flows among industrialized and many developing countries, floating exchange rates, financial innovations and new communications techniques have increased the volatility of flows. Developing and transition economies are highly vulnerable to financial volatility and contagion. An appropriate policy response to deal with large-scale capital flows, in light of the recent economic and financial crisis in Asia, needs examination. More specifically, policy options that could enable the concerned economies to reap the benefits of international capital flows while avoiding their disruptive consequences need to be developed. In this respect, it is obvious that strong domestic financial systems, regulation and supervision are essential elements to attract long-term capital flows, including foreign direct investment, to ensure the transformation of short-term capital into long-term investment and to encourage the mobilization of additional domestic savings from the private sector.

11. Apart from measures aimed at improving, complementing and updating existing legislation for organizing stock markets, new legislation is required in some areas and needs to be adapted to reflect the actual financial market practices, financial instruments, financial products and the regulatory framework. In this respect, special programmes to create an organized and transparent secondary market have been undertaken by several United Nations organizations. For example, the Economic and Social Commission for Asia and the Pacific (ESCAP) assisted in setting up a domestic and service provider for the level market in one country. Also, a pilot seminar organized by UNCTAD and co-sponsored by the United Nations Industrial Development Organization (UNIDO) for the promotion of private investment flows to the least developed countries was held in Geneva in June 1997. The seminar examined how investment funds could be used to attract foreign investment flows in the least developed countries, with particular reference to tourism, agro-industries and infrastructures.

12. In addition to the above-mentioned measures aimed at developing a capital market, the following measures should be undertaken: designing a disclosure system;

providing incentives to private sector companies to be listed; encouraging private undertakings to go public; listing foreign companies; creating market-makers; developing a bond market; and encouraging commercial banks to promote portfolio management services. The recent Asian crisis has shown the link between financial transparency, investor confidence and financial stability. The Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting, which is serviced by UNCTAD, has, as one objective, the harmonization of national accounting standards via the adoption and use of international accounting standards. In 1998, the Working Group adopted guidelines for accounting and financial reporting for environmental costs and liabilities, which will provide assistance to enterprises, regulators and standard-setting bodies on best practices in accounting for environmental transactions.

13. Despite a general widespread trend towards the adoption, reformulation or better implementation of competition laws and policies in developing countries and economies in transition, many of these countries still do not have up-to-date competition legislation and policies, or do not apply them with full effectiveness. In this connection, the United Nations Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices calls for the provision of technical assistance and advisory and training programmes to these countries. In this respect, technical assistance related to the preparation, elaboration or revision of national competition legislation was provided to many countries by UNCTAD. The Department of Economic and Social Affairs has also been active in this area, advising developing countries on formulating and implementing post-privatization policies aimed at promoting competition and protecting consumers' rights.

14. Attracting export-oriented investment is a major aspect of the policies adopted in a number of developing countries and countries in transition. Policies to attract export-oriented investments found their full expression in the implementation of exception regimes, including export processing zones, free points, free economic zones and offshore centres for commercial, financial and other services. The implementation of such a policy is not easy and the issues are complex and numerous. Some are linked to international economic relations, the incentives set and possible retaliation measures by trading partners of the country hosting a free zone. Other issues concern the provision of services through private entrepreneurs and the many possible contractual variations depending, notably, on the nature of the service.

15. Major regulatory and administrative issues are labour regulation, the supply of local inputs, access to the domestic market, competition in foreign markets between free economic zone products and domestic goods, relations between zone authorities and users, contractual arrangements between zone authorities and investors and import regulations and customs procedures and practices. Advisory services were provided by United Nations entities in the various policy areas to attract export-oriented activities. For example, UNCTAD assisted Sao Tome and Principe in establishing a free economic zone. UNCTAD also conducted a feasibility study for the Palestinian Authority, entitled "The development of an industrial state in Nablus: project feasibility, implementation strategy and environmental impact". Another feasibility study was also undertaken jointly by UNCTAD and UNIDO to evaluate a proposed site for an export processing zone in Uganda.

16. In most developing countries and economies in transition, there is a dearth of knowledge of services and their critical role in national economy. Efforts were made by United Nations organizations to enable the Governments of developing countries and countries in transition to respond to the changing international environment. The Coordinated African Programme of Assistance on Services, which is implemented by UNCTAD, aims at developing endogenous policy-making capacity in areas of domestic service sector policy, regional integration services and multilateral negotiations on trade in services involving many African countries.

17. Most developing countries need to place more emphasis on developing infrastructure and business services in attempting to improve their competitive edge: the availability of basic utilities has proved to be a necessary condition for the enhancement of the profitability of many firms. Countries should thus make substantial investments in national infrastructure facilities, even though the capital and technology needed to upgrade such facilities to international standards are lacking in most developing countries. Several United Nations agencies promote private sector involvement and public-private partnerships in infrastructure projects. A number of consultative meetings with Governments have been held at which recommendations on implementing the national strategies for attracting private investment in infrastructure were made and comments on specific projects provided. Notably, the Department of Economic and Social Affairs supports performance contracting as a supplement to programmes of privatization and has issued guidelines for use by developing countries. The Department has issued a publication, entitled "Public enterprise reform and performance contracting: the

state of the art". Also, pursuant to a decision taken in 1996 by the United Nations Commission on International Trade Law (UNCITRAL), the Secretariat recently finalized a draft legislative guide on privately financed infrastructure projects to assist States in preparing or modernizing legislation relevant to these projects.

18. In some developing countries, Governments considering public-private partnership in public services resorted in many cases to concession and/or "Build, Operate and Transfer" type contracts. Under the auspices of the Economic Commission for Europe, a group of private sector experts has formed a self-financed advisory group with the objective of formulating guidelines on build, operate and transfer financing techniques for central and eastern Europe. In addition, the Commission's Working Party on International Contract Practices in Industry promotes private sector involvement and public-private partnerships in infrastructure projects and prepares a series of guides on best practices as regards contractual relations. Moreover, as negotiating contracts with the private sector requires a command of innovative financial techniques and sophisticated legal and fiscal structures, as well as expertise in a variety of other disciplines, UNCTAD provides assistance to developing countries when dealing with any issue that arises in their negotiations with private firms, especially transnational corporations.

19. Research and development in science and technology play a key role in determining a firm's competitiveness and the commercial life of its products and services. In order to facilitate access to technology for developing countries and economies in transition, UNCTAD has developed a technical cooperation programme, which consists of a science, technology and innovation policy review. The purpose of the reviews, which have been undertaken in a few countries, is to enable developing countries to evaluate the efficiency with which their scientific and technological, as well as their industrial, economic, educational and social institutions and mechanisms contribute to the technological development of their enterprises. Workshops³ organized by United Nations entities, notably by the Economic Commission for Europe, for companies operating in transition economies aim at transferring commercial know-how to those countries. In addition, the Department of Economic and Social Affairs has organized a number of events relating to the transfer of environmentally sound technology with participation of businesses, including an exhibit, entitled "Business and the United Nations: partners in sustainable development", an expert meeting on corporate environmental accounting and the second Regional Conference of the Americas on Cleaner Production. Many economies in transition possess

considerable scientific and technological capacity, which could be, and in some cases already is, developed and commercialized. However, the process of securing financing for research and development purposes, protecting the intellectual property that results from such research and effectively linking the research and development activities with industry abroad has proven difficult in the new market-oriented environment.

20. The United Nations system also recognizes the increasing role of information and technology in the industrialization process of developing countries and the role of government in support of business and public-private collaboration. In response to the priorities of its business plan, emphasizing global forum functions, UNIDO assumes full responsibility for the collection and verification of industrial statistics for all countries that are not members of the Organisation for Economic Cooperation and Development. Industrial development cannot succeed without the ability of the manufacturing sector in a particular developing country being able to satisfy a given need of an end-user for a particular product. In order to foster business development, UNIDO's quality, standardization and metrology programme develops quality infrastructure through metrology, standardization, certification and accreditation and promotes capacity-building at the institutional and operational level through continuous improvement and quality management.

21. With a view to securing public and entrepreneurs' interest, Governments are increasingly establishing specialized agencies or designating a specific ministry, or inter-ministerial body, to deal with business matters and issues. For example, investment legislation is increasingly sanctioning the establishment of "one-stop shops" or "one-stop-approval centres" to process and facilitate the registration or approval of investment proposals. In fact, there is a trend in these regulatory bodies to transform themselves into promotion agencies and sometimes facilitators at the post-investment phase. Such transformation implies not only staff training, but also fundamental change in attitudes and oriented action. UNCTAD has developed a special programme to assist developing countries and economies in transition in strengthening their investment institutions, in particular their investment promotion agencies, in streamlining their modes of operation and approval. Institutional support was provided to the World Association of Investment Promotion Agencies, whose main objective is to develop cooperation among investment promotion agencies. UNIDO also provides assistance in the establishment of new or in the upgrading of existing investment promotion agencies through advisory

services on organizational structures, legal setups and operations and training on the identification, formulation and appraisal of industrial investment and technology partnership projects.

22. The intense competition unleashed by the twin process of globalization and liberalization has aggravated the traditional "access" problems of small and medium-sized enterprises to markets, finance, business skills and technology. The survival and the development of small and medium-sized enterprises requires that Governments adopt ad hoc policies and programmes aimed at creating the appropriate environment for them. In order to promote a proper environment, United Nations agencies have carried out research on the subject, organized intergovernmental discussions and designed and implemented related technical cooperation projects covering the areas outlined in the paragraphs below (see paras. 23-27).

23. Recognizing the significant role played by multinational corporations in stimulating economic change, and the benefits gained by small and medium-sized enterprises in linking up with such entities, UNIDO has developed a new approach in formulating and delivering technical assistance. Under a new private-public partnership programme, an alliance between multinational corporations, host Governments, universities and civil society organizations is proposed, whereby a strategy is formulated to identify challenges and opportunities faced by the small and medium-sized enterprises. Based on a sector or industry-specific needs assessment, priorities and strategic focus is defined by the partners and a targeted technical cooperation activity is designed and delivered to the enterprises.

24. Partnering, networking and clustering have proven to be effective ways to solve some of the "access" problems experienced by small and medium-sized enterprises, particularly in increasing competitiveness and developing new processes and product technologies. In this respect, creative partnerships among firms, involving the blending of capital, technology, marketing and management expertise, have become important tools. Extensive research was undertaken by UNCTAD on partnering, networking and clustering as options for small and medium-sized enterprises to enhance their growth potential.

25. A wide range of United Nations technical assistance activities have complemented policy analysis, research and intergovernmental discussions on enterprise development. Among the strategic goals of this technical assistance are the diffusion of best practices identified by research and discussion and the development of a critical mass of domestic entrepreneurs who can contribute to poverty

alleviation through job creation and structural change through technological progress. The technical assistance consists basically of permanent programmes, as well as a series of ad hoc projects. These projects provide direct assistance aimed at building private sector capacity, often of small-scale enterprises. While much work in supporting small and medium-sized enterprises in the past has focused on the provision of financial services, the last two years have shown a shift towards a more balanced approach, which also emphasizes the delivery of non-financial business development services.

26. One of the notable permanent programmes is the EMPRETEC programme (Entrepreneurship and Small and Medium-sized Enterprises), an integrated capacity-building programme aimed at stimulating the development of entrepreneurial capabilities and the growth of innovative and competitive small and medium-sized enterprises. It constitutes an inter-agency programme (the Department of Economic and Social Affairs, UNCTAD and UNDP) coordinated by UNCTAD. Among its main achievements, EMPRETEC has identified and trained numerous entrepreneurs (one third women) from many countries. It has helped many of them to enter global markets and organized strong national coalitions among entrepreneurs, public and private institutions, universities, business associations and chambers of commerce and national and foreign companies.

27. To facilitate foreign direct investment by small and medium-sized enterprises and to maximize their contribution to development, UNCTAD has developed a technical cooperation programme among developing countries of Asia. An international conference, "Small and medium-sized enterprises-foreign direct investment-development: attracting small and medium-sized enterprises and promoting development in developing Asia" took place in Kunming, China, in October 1997. In addition, a handbook on foreign direct investment by small and medium-sized enterprises: lessons from Asia, has been prepared and published in May 1998. Another capacity-building programme, "Mediterranean 2000", is being implemented to stimulate the growth and competitiveness of small and medium-sized enterprises in several developing countries of the Mediterranean basin and the Horn of Africa. Integrated project activities are carried out by UNCTAD in cooperation with the International Organization for Standardization (ISO), the International Trade Centre (ITC), UNIDO, the Food and Agriculture Organization of the United Nations (FAO) and the Turin Centre of the International Labour Organization (ILO). Mediterranean 2000, which has been designed in a modular fashion so that it can be tailored to

individual country situations, is expected to complement existing programmes in the region.

28. Any concrete contribution to a more efficient informal sector implies the following actions: (a) identifying the relevant relationships among the various factors affecting the functioning of micro-enterprises, (b) facilitating the process of dialogue between informal sector operations and government and (c) assisting in the development of problem solving and business management skills. Microcredit, as an instrument for poverty alleviation, is gaining momentum in many developing countries. In fact, global demand for micro-finance services is estimated to comprise 500 million poor households. But micro-finance programmes currently reach only 2 to 5 per cent of these households. Because of the lack of policy support for the promotion of viable microcredit facilities, as well as the absence of institutional and human capacity to deliver services, the concept has not realized its full potential. However, the United Nations has developed strategies and modalities for improving the capacities of micro-financing agencies to effectively discharge their responsibilities. The UNDP special unit for micro-finance brings together the MicroStart programme, which innovates new ventures in micro-finance, and the United Nations Capital Development Fund, which focuses on micro-finance in the poorest countries and rural areas. UNIDO's approach in this area is to formulate and implement strategies and programmes to promote and develop micro- and small-scale industries in rural areas, particularly in least developed countries and sub-Saharan Africa.

29. A study sponsored by the Economic Commission for Africa on reconciling formal and informal micro-financing systems and practices in Africa seeks to find means of reconciling micro-financing systems so that, through them, the increasing credit demand of micro- and small enterprises can be met. It also seeks to open discussion on Africa's over-dependence on external resources, to promote strong domestic financial markets and systems and to integrate micro-financing in financial sector reforms. United Nations agencies supported national projects whose objectives are the development of micro-credit schemes. For example, the Department of Economic and Social Affairs promoted microcredit schemes aimed at income-generating activities for poor households as part of a country's reintegration and poverty alleviation efforts.

30. In the area of service investment and trade liberalization, UNCTAD, UNDP and the World Bank jointly assisted developing countries to assess the gains that they might derive from opening their services markets to foreign services providers, either through investment or trade. The

World Tourism Organization (WTO) was particularly preoccupied by the impact of the Asian monetary and financial crisis on tourism. According to the WTO, the crisis in the Russian Federation and, to a lesser extent, in Latin America called for a readjustment of short-term forecasts and, at the very least, for a questioning of the validity of longer-term forecasts. In this regard, the macro-economic measurement of tourism remains inadequate. This must indeed change in the interest of public and private policy makers.

31. In the mineral sector, the Department of Economic and Social Affairs pursued its advisory activities in the formulation of strategies and legislation to achieve self-reliance, attract investment and ensure the sustainability of mineral sector development and the protection and preservation of ecosystems. Principles calling for technology transfer, reduced trade and investment barriers and transparent environmental regulation are encouraged. Such principles, which are embodied in the Guidelines on Sustainable Mining Operations, were jointly compiled by the Department of Economic and Social Affairs and the United Nations Environment Programme (UNEP) in 1998. The Department is also providing advisory services to Governments and technically supports energy projects at the field level, encouraging more involvement of the private sector and local communities. These services have been accompanied, since 1997, by training activities. As part of the efforts to promote private sector involvement in the rural energy market, entrepreneurs are trained to engage in the manufacturing, supply and service activities pertaining to renewable energy systems and many countries benefiting from this project.

32. Among the major disruptions that have affected business regulatory frameworks worldwide is the transition from a centralized to a market economy. In most cases, the changes that have taken place called for institutional notions and legal concepts and mechanisms that were previously lacking. Therefore, a great effort needs to be made in order to create a legal framework conducive to business transactions. Major initiatives are under way in countries with economies in transition to facilitate the implementation of market-based policies, practices and principles in key sectors of these economies. Among these initiatives is the creation of the Gas Centre, within the framework of the Committee on Sustainable Energy of the Economic Commission for Europe, which offers the unique feature of a direct contribution of data and experiences and a focal point to promote cooperation and harmonization of norms and practices among companies and Governments in key areas such as price policies, restructuring and privatizing.

tax policies and rules and regulations. Another ECE initiative is the Energy Efficient 2000 Project, which assists countries of central and eastern Europe and the Commonwealth of Independent States to enhance their energy efficiency and security to ease the energy supply constraints of economic transition. The objective of the third phase of the Project (1997-2000) is to strengthen trade and cooperation on policies, energy efficient and environmentally sound technologies and management practices between participating States.

33. Efforts aimed at regional economic integration, and in response to the globalization process, were intensively pursued during the last two years. These efforts took place, in particular, in the area of regional harmonization of laws and regulations affecting trade, investment and business transactions in general. Various trade liberalization schemes have been launched at regional and subregional levels. Underscoring these schemes are plans for stabilizing and gradually removing tariffs and non-tariff barriers to trade and investment, harmonizing customs duties and internal taxes, facilitating trade and investment flows through exchange of information and other promotional services and abolishing restrictions on the movement of people, goods, services and investments across borders.

34. Some United Nations regional commissions are promoting policies to facilitate and enhance the process of economic cooperation and integration. Most of the activities undertaken consist of analysing constraints and other factors affecting the integration process and assisting member States in articulating and implementing policies and strategies to help advance it at both the subregional and regional levels. For example, the Economic Commission for Africa is actively assisting African countries in implementing integration measures, at the regional and subregional levels, within the framework of the Treaty Establishing the African Economic Community. It also advises regional institutions, namely, the African Economic Community, which is to be established, as well as subregional organizations such as the Economic Community of West African States, the Arab Maghreb Union, the Common Market for Eastern and Southern Africa, the Southern African Development Community and the Intergovernmental Authority on Development, on main policy issues.

35. Many recurrent and non-recurrent publications of regional secretariats, such as the Economic and Social Commission for Asia and the Pacific, have addressed regional issues, including policies, institutional-building and regional cooperation, financial sector reforms in countries in the region, trade and investments in the region. Some surveys considered the major trends in the world and their

relevance to developments in the region. The main outputs of analytical work have been: the economic and social survey of Asia and the Pacific, the serial publications on studies in trade and investment, and the *Small Industry Bulletin for Asia and the Pacific*. The Economic and Social Commission for Western Asia has undertaken a study on the causes and effects of inflation in the region, analysing developments of direct interest to the business community that have implications for the political and macroeconomic stability of the region. The Commission has also completed studies on the challenges and opportunities of the World Trade Organization Agreement in selected areas of special interest to the countries of the region.

36. United Nations organizations assist regional and subregional integration groupings of developing countries in realizing and maximizing their potential benefits in terms of expanding trade and investment flows among members, and thus promoting their economic development. Such assistance includes policy advice on tariff reduction, market access, rules of origin related to the formation of free trade areas and customs unions and the effects of free trade areas or customs unions. United Nations organizations also help developing countries in negotiating and concluding regional agreements, as well as agreements with developed countries. For example, in the formulation of a free trade agreement for the Southern African Development Community, technical and advisory support was received from UNCTAD. It also provided support to South Africa in matters relating to trade effects and rules of origin of the proposed South Africa-European Union free trade agreement.

37. The reorientation of European Union trade policy towards third countries has resulted in drastic changes in market access and trade relations for the developing countries of the Mediterranean region. Notably, the establishment of a European-Mediterranean free trade zone by 2010 involves bilateral association agreements between the European Union and individual countries. The establishment of the association agreements will also involve areas beyond trade in goods, such as the adaptation of trade related policies, especially as regards intellectual property rights, competition law and customs cooperation standards. UNCTAD will assist the Mediterranean countries to negotiate and implement the agreements and to lay the groundwork for the establishment of free trade agreements among Mediterranean countries, and will also familiarize the business community with the coverage and depth of the tariff cuts and other preferential market access provisions of the agreements.

38. United Nations assistance was extended to efforts made by developing countries to improve their enabling

framework at the regional level, mainly through harmonizing laws and regulations. There are many arguments in favour of such harmonization at the regional level. First, it would contribute to reducing conflicts between member countries' norms and lead to a more efficient allocation of resources caused by the great number and variety of regulations on this issue. Second, a framework of regional rules and commitments, supported by a dispute settlement mechanism, would contribute to the continuity of policies. Third, it would encourage intra-regional trade and the access by investors to the region market. Fourth, it would help member countries in their current quest for integrating their economies within the global economy. In 1997, a regional project was initiated by UNCTAD to harmonize relevant business legislation in Arab countries. Case studies of investment regulatory and institutional framework in Arab countries, as well as an overview on investment policy issues and challenges in the Arab world, were completed. The declaration adopted by the seminar calls for the continuation of the harmonization process and the establishment of annual meetings to discuss investment and its promotion in the Arab world.

39. A major task of United Nations organizations consists in identifying and analysing, in the light of the main features of the institutional framework for international transactions, the major substantive and strategic issues in policy making, which may be on the negotiating table at sometime in the future. This is in view, particularly, of advising on modernizing and harmonizing national frameworks, taking into consideration existing regional commitments and, more importantly, applicable multilateral norms, especially within the World Trade Organization (WTO). There is a need for international support to strengthen the institutional infrastructure of developing countries and to help them acquire the needed skills to identify the main issues and policies concerning their integration into the international economy on terms that will increase their economic progress and leave them better equipped to compete internationally, while at the same time recognizing their special development priorities and concerns. In addition, many developing countries, who are currently members of WTO and started the process of accession in the course of the Uruguay Round negotiations, failed to fully anticipate the consequences of membership on their particular trade and development interests. The implementation of membership obligations has posed two distinct types of problems for these countries: first, problems derived from their own processes of interpretation and domestic implementation of the agreements; and second, problems arising from the parallel processes of other WTO members. Moreover, special

difficulties characterize most domestic exercises in implementation. They could be summarized as follows: (a) notifications to the WTO secretariat that involve sharing of specific information; (b) eliminating trade-restrictive measures; (c) establishing national institutions; and (d) compulsory legislative enactment and the formulation of procedures.

40. While African countries are highly dependent on foreign trade, export-led growth remains constrained by weak production structures and heavy reliance on a narrow range of primary exports. In October 1997, UNCTAD launched a new cycle of country-specific studies in selected African countries on the impact and dynamic effects of the Uruguay Round and its follow-up on national development objectives. As a response to a decision taken at the ninth session of the Conference on Trade and Development (UNCTAD IX) on assisting developing countries in effectively integrating the international trading system, an ITC/UNCTAD/WTO joint integration technical assistance programme for Africa has been undertaken. The programme was designed in view of ensuring human resource development and institutional strengthening by focusing on the implementation of the Uruguay Round agreements.

III. Framework for business as a partner in development

41. The United Nations system plays a critical and unique role in providing and facilitating the intergovernmental dialogue necessary for the formulation of policies and guidelines for international cooperation relating to business and development.

42. In the 1990s, increased attention has been paid to social issues and environmental protection as essential elements of development, as reflected in the 1990 World Summit for Children, the 1992 United Nations Conference on Environment and Development, the 1994 International Conference on Population and Development, the 1995 World Summit for Social Development, the 1995 Fourth World Conference on Women and the United Nations Centre for Human Settlements (Habitat II), held in 1996.

43. More recently the Secretary-General launched an initiative at the 1999 meeting of the World Economic Forum in Davos, Switzerland, proposing a global compact between the United Nations and business. The compact asks business to advocate a stronger United Nations and to embrace, within this sphere of influence, universal principles derived from the World Summit for Social Development, the United

Nations Conference on Environment and Development and the Universal Declaration of Human Rights, such as protecting human rights within their sphere of influence, supporting the abolition of child labour and taking a precautionary approach to environmental challenges. The United Nations, for its part, would continue to make a strong case for free trade and open global markets. The International Chamber of Commerce and other business organizations have welcomed the Secretary-General's proposal and expressed their readiness to cooperate with the organization in this common endeavour.

44. The three United Nations entities most directly involved in the global compact, ILO, UNEP and the Office of the United Nations High Commissioner for Human Rights, are currently joining their advocacy strength and pooling their experiences in order to facilitate the translation of the nine principles into corporate practice. A new Web site on global corporate citizenship is under construction, projecting the collective strength of the three agencies while at the same time drawing on outside expertise.

45. A new Web site (un.org/partners/business) has been established in response to the Secretary-General's reform proposal to engage the corporate community in the work of the Organization. The United Nations and business Web site serves as a virtual enterprise liaison facility, offering the private sector a one stop-entry into the United Nations system. All United Nations organizations, including specialized agencies, the Bretton Woods institutions and WTO are participating in this network and explain how their work relates to the private sector and how interested corporations can interact.

46. The contribution of the business community to United Nations activities has taken different forms, including participation in debates, technical inputs to norm setting or background papers, secondment of experts, co-organization of workshops and study tours and financing for specific activities. In this respect, UNDP developed "Guidelines and procedures for mobilization of resources from the private sector" which materialized in several initiatives for such mobilization, notably the Global Sustainable Development Facility project, the Public/Private Partnership Programme (PPP) for the urban environment, the United Nations International Short-term Advisory Resources (UNISTAR) programme and the UNDP Energy and Atmosphere Programme.

47. A number of developing countries have given significant attention to the issue of women's access to productive resources and are adopting programmes to mainstream gender into economic development, especially

microcredit programmes for women entrepreneurs. In this regard, United Nations agencies have made some significant inroads in providing support for women entrepreneurs. The main approaches for addressing this issue in recent years have been through technical and advisory services, as well as institution building. For example, the Federation of African Women Entrepreneurs was created to give them voice. For its part, ILO identified the fundamental problems affecting gender equality and the laying of the groundwork for equality practices at the workplace in several countries. The women entrepreneurship development (WED) programme is an established dimension of UNIDO's technical cooperation programme. Owing to the industrial nature of its activities, these programmes also focus on the sub-sectoral needs of women, on case-by-case basis, according to identified demand and potential.

48. An increasing preoccupation of United Nations organizations relates to child labour. An initiative was undertaken by ILO in identifying strategies and mobilizing action by employers to combat child labour at national, regional and international levels, while promoting employment for adult family members. This action materialized in the ILO International Programme on the Elimination of Child Labour.

49. With the onset of globalization and deregulation, and the consequent rapid changes in the business environment, it is clear that the growth of independent, representative and strong organizations of employers constitutes an essential condition for the formulation and effective implementation of labour market policies that enhance enterprise competitiveness and socio-economic development. This further promotes the capacity of these organizations to engage in meaningful and effective bipartite (employers-workers) and tripartite (government-employers-workers) dialogue.

50. The lobbying role of employers' organizations should not be neglected, particularly in economies in transition, where there is an urgent need to influence the changing policy, legal and business environment. Such adaptation implies an up-to-date information and research base. In this respect, core competencies should be developed and recruitment, training and retention of skilled staff are becoming a main concern and a priority in institution capacity-building. Employers' organizations in Asia and Latin America are benefiting from extensive programmes designed and implemented by ILO aimed at enhancing capacity-building in these organizations. The industrial relations role of employers' organizations continues to be an important aspect of their functions and related issues were dealt with by ILO in its technical cooperation programme.

51. Owing to concerns over the increasing cost of environmental protection and the resulting restraints on economic development, there has been growing interest in economic instruments for achieving environmental protection goals with greater flexibility and lower overall cost. Energy taxes, emissions charges and tradeable emissions or resource quotas allow emissions reductions and other environmental protection measures to be undertaken where they are least costly, while ensuring that the costs are shared equitably. Consumer education, eco-labelling and public procurement can be used to shift demand patterns in order to reduce environmental damage. Efforts to design such market-based instruments are increasingly being undertaken in consultation with industry to ensure that they achieve environmental protection goals in the most cost-effective way.

52. Some industry groups have adopted voluntary environmental standards for their members in an effort to improve their public image and contribute to long-term sustainable development. This trend has facilitated cooperation between environmental authorities and industry and has encouraged the use of incentives for voluntary action and negotiated agreements between authorities and industry rather than detailed command-and-control regulations. The United Nations system has a variety of programmes to assist countries and their industries in integrating environmental protection into economic development strategies and processes. The Department of Economic and Social Affairs conducts policy studies on sustainable development and provides technical assistance in the areas of sustainable energy, water and natural resources. Work in the areas of technology transfer, environmental accounting and tourism have focused particularly on cooperative efforts between government and business to promote environmental protection and economic development.

53. UNEP and UNIDO have established a network of national cleaner production centres, which assist enterprises in identifying, transferring and integrating technologies that both reduce pollution and increase productivity. UNEP's financial services initiative includes the development of voluntary commitments by private-sector financial and insurance institutions to environment and development. UNCTAD assists developing countries in studying the impact of environment policies on their export industries and in participating in multilateral deliberations on trade and environment. UNCTAD is also studying the contribution that foreign direct investment and transnational corporations can make to sustainable development in developing countries, in particular through diffusion of environmentally sound technologies. UNCTAD and UNEP have also organized a

series of workshops to promote corporate environmental accounting and reporting in developing countries.

54. The interaction between the Department of Economic and Social Affairs and business and industry since 1997 has focused primarily on facilitating multi-stakeholder dialogue processes that are thematically specific and aim to generate greater common ground and further potential for joint action for sustainable development. Key words in this approach are developing mutual trust, ensuring accountability and transparency and building consensus between the parties concerned. Activities involve business, trade unions and NGOs. In 1998, a new tradition started, with a two-day dialogue segment allowing representation of business and industry, as well as other major groups, to engage in discussions to elaborate, promote and share sustainable development practices and promote corporate responsibility and accountability.

55. Another example of how an international organization could cooperate with the corporate sector to maximize project impact and expand the constituency of the poor with the private sector is the initiative taken by the International Fund for Agricultural Development to promote a corporate sector development partnership. In participating and investing with the Fund in rural areas, the corporate sector contributes to raising rural income levels and hence to increasing active demand. An interesting case of institutionalized cooperation with the private sector and intergovernmental organizations is the United Nations Centre for Facilitation of Procedures and Practices for Administration, Commerce and Transport, which analyses the use of electronic commerce and information technologies in order to develop recommendations on best business practices in this area and, where appropriate, to develop methodologies and tools.

56. One emerging pivotal role that the private sector has assumed is in post-conflict reconstruction and development, an area that is continuing to be of major concern to the United Nations. The participation of the business sector in the early stages of post-conflict reconstruction is a prerequisite for a viable economic framework, which can create an environment for recovery and prosperity. It is, in fact, a key to the success, in most cases, of refugee repatriation and of the peace process itself. The essential contribution of the private sector is investment; physical infrastructure replacement and upgrading; technology; the vital products and services for recovery, necessary for relief, reconstruction and recovery; and stimulus to employment and local business development. Additionally, the private sector also contributes "economic multipliers" such as distribution networks, financing mechanisms, access to

market and training and human resources development. The United Nations system is therefore increasingly forging new and innovative partnerships with the private sector in its programme of post-conflict reconstruction and development.

57. In the context of its direct assistance aimed at building private sector capacity, the Department of Economic and Social Affairs has undertaken a project that has strengthened NGOs support to private sector development in connection with national poverty-reduction programmes. In Ghana and the United Republic of Tanzania, the Department of Economic and Social Affairs technical cooperation programmes have supported several national institutions in their work towards strengthening capacity for the start-up and development of small-scale enterprises in a wide range of economic sectors and regions. Pursuing its objective to foster policies that encourage economic growth and wealth creation through intellectual property tools, the World Intellectual Property Organization (WIPO) has developed ways in which NGOs and entities in the market sector can interact with the Organization. These ways include: (a) the newly-established Industry Advisory Commission, which is a purely advisory board; (b) the traditional mechanism of permanent or ad hoc observer status for NGOs; and, (c) meetings between WIPO staff and representatives of specific industry sectors. In addition to the foregoing more formal mechanisms for interaction with the market, WIPO receives assistance in its training and technical assistance programmes from representatives of that sector on an ad hoc basis. Moreover, WIPO staff regularly receive advice and information from such representatives and engages in discussions on a wide variety of subjects.

Notes

- ¹ Mark W. Zacher, *The United Nations and Global Commerce* (United Nations Department of Public Information). This publication documents the myriad activities of the United Nations in establishing, maintaining and extending the "soft infrastructure" for orderly transaction.

Annex

List of contributing United Nations organizations

Department for Economic and Social Affairs
Economic Commission for Africa
Economic Commission for Europe
Economic Commission for Latin America and the Caribbean
Economic and Social Commission for Asia and the Pacific
Economic and Social Commission for Western Asia
United Nations Conference on Trade and Development
United Nations Development Programme
International Labour Organization
Food and Agriculture Organization of the United Nations
World Bank
International Finance Corporation
International Fund for Agricultural Development
United Nations Industrial Development Organization
United Nations Centre for Human Settlements (Habitat)
United Nations Development Fund for Women
World Tourism Organization
World Trade Organization
World Intellectual Property Organization
